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Coca-Cola Acts to Cut All Ties With S. Africa

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In a major victory for opponents of apartheid, Coca-Cola Co. said Wednesday that it plans to withdraw from South Africa and will attempt to sell its operations to black investors there.

Coca-Cola, the dominant soft-drink marketer in South Africa and a major symbol of U.S. corporate involvement there, thus will join a growing list of U.S. firms pulling out of that nation amid mounting furor over its apartheid system of racial discrimination.

Coca-Cola also is believed to be the first American company to at least publicly express plans to sell its South African operations to black investors. And it is also one of the first to acknowledge political as well as economic reasons for its withdrawal. Most U.S. companies have said they were withdrawing solely because of deteriorating business conditions.

The Atlanta-based firm said it plans to sell its 30% share of a major bottler and a 55% share of a canning operation within six to nine months. Those operations employ about 4,300 workers, mostly black South Africans, making Coke one of the largest U.S. employers in South Africa.

Major Shock

"We have been reducing our investment in South Africa since 1976, and we have now decided to sell our remaining holdings in that country," Donald R. Keough, Coca-Cola's president and chief operating officer, said in a statement. "Our decision to complete the process of disinvestment is a statement of our opposition to apartheid and of our support for the economic aspirations of black South Africans."

Coke's planned withdrawal and the strong political message in its statement is expected to shock many South African government and business leaders, who are sensitive to how their nation is seen by foreigners, Americans in particular.

However, the move is expected to have little financial effect on Coca-Cola because its South African operations represent only a small fraction of its worldwide operations. Also, the company said it will continue to distribute Coke in the nation through independent franchises. Coke has 75% of the South African soft-drink market.

May Spur Others

Because of its visibility, Coca-Cola's withdrawal could spur other large U.S. firms to leave, anti-apartheid activists said. Such major firms as International Business Machines and Xerox already have expressed concern about maintaining their presence in South Africa, given the racial tensions there and what they say is a lack of progress by the Pretoria government toward dismantling apartheid.

These firms also are facing increasing economic pressure in the United States from state and local governments threatening to limit business dealings with U.S. firms in South Africa or to divest themselves of stock in those companies.

"The fact that Coke is an international symbol of American business means that this decision to withdraw will really accelerate the trickle of companies leaving into a flood," said Timothy H. Smith, executive director of the Interfaith Center on Corporate Responsibility, a New York-based coalition of religious groups that own stock in corporations. "We're going to see many more U.S. companies heading for the exits."

"I think they're making a strong moral statement and (a) sound and sensitive business judgment," said the Rev. Joseph Lowery, president of the Southern Christian Leadership Conference. That group announced last month that it would call for a boycott of Coca-Cola and other American companies if they had not withdrawn from South Africa by Jan. 15, 1987, the birthday of slain civil rights leader Martin Luther King Jr.

Nineteen U.S. companies this year and 39 last year have withdrawn from South Africa, leaving 248 still there, according to the Washington-based Investor Responsibility Research Center, a nonprofit and nonpartisan research organization. Those withdrawing this year included General Electric, GTE, Phillips Petroleum, Eaton and Bell & Howell. Also, more than 30 major banks have said they will no longer lend to private or public entities in South Africa.

South African officials said Coca-Cola's withdrawal will hurt blacks there. "If people want to improve conditions for black people, they would stay there and do so through opportunities and jobs and training. You don't serve the interests of blacks by moving out of the country," said Manus Le Roux, a spokesman at the South African Embassy in Washington.

He added that if Coca-Cola was really against apartheid, "why didn't they do it 10 years ago when there was much more apartheid? They are choosing to do it now when apartheid is very much on the way out."

Experts on American business in South Africa said Coca-Cola's attempt to seek black South African investors was particularly noteworthy.

"They are going out of their way to sell to black South African investors," said Alison Cooper, research analyst at the Investor Responsibility Research Center. "I don't know of any other company that has made that their main objective in leaving."

"This could set a very important precedent for other multinationals," said Marcy M. Murningham, president of the social investment services division of

Mitchell Investment Management, an investment advisory firm based in Cambridge, Mass. "If they just sell to a group of investors, then it's business as usual."

Concern on Investors

Murninghan, however, expressed concern about whether black investors will have adequate financing and support to pull off the deal. She also expressed concern about whether the South African government will restrict black investment in this case.

Coca-Cola spokesman Randy Donaldson said the planned withdrawal is "still very early in the process" and thus details about financing and other arrangements have not been worked out. He said the company has identified several groups of black investors interested in acquiring the soft-drink operations.

Coca-Cola's South African operations include a 30% stake in Amalgamated Beverage Industries, one of South Africa's largest bottlers. Coke also is selling its 55% stake in Amalgamated Beverage Canners, a smaller firm. Last year, Coke sold a wholly owned citrus processor.

Second Largest in Country

Coca-Cola also employs a few hundred workers engaged in marketing and advertising of Coke products. Under the withdrawal, those employees will no longer work for Coca-Cola, Donaldson said.

Earlier this year, Coca-Cola's 4,288 employees gave it a ranking as the second largest U.S. employer in South Africa after General Motors, according to analyst Cooper of the Investor Responsibility Research Center. However, that calculation included about 4,000 workers employed by Amalgamated Beverage Industries. When Coca-Cola reduced its stake in that operation to 30% from 51% earlier this year, those employees were no longer counted as Coke's, Cooper said. Coke had owned 81% of that operation two years ago.

Mobil Largest Employer

GM and other U.S. firms also have been reducing their South African employment by selling off stakes in their South African subsidiaries, Cooper said. The largest U.S. employer there now is Mobil, with 3,182 workers, followed by GM, with 3,056, Cooper said.

Coca-Cola generally has been regarded as having a good record for hiring and treatment of blacks under the Sullivan Principles, a code of corporate conduct promoting equal employment opportunity for blacks, Cooper said.

Earlier this year, the company contributed \$10 million to two foundations aimed at improving housing, education and business development for black South Africans. Coca-Cola said Wednesday that it will continue to contribute to those foundations, even after its withdrawal.

A USC committee has asked that the university stop making new investments in companies with ties to South Africa. And the Los Angeles Department of Water and Power has adopted a compromise policy on South African investments. Part II, Page 1.